

**MANCHESTER TOWNSHIP
Washtenaw County, Michigan**

AUDITED FINANCIAL REPORT

**For Fiscal Year Ended
June 30, 2008**

MANCHESTER TOWNSHIP
For the Year Ended June 30, 2008

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FINANCIAL SECTION

POST, SMYTHE, LUTZ and ZIEL

of Plymouth LLP
Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502

TELEPHONE (734) 453-8770
FAX (734) 453-0312

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.

Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212

TELEPHONE (248) 644-9125
FAX (248) 593-1986

Independent Auditor's Report

September 26, 2008

To the Board of Trustees
Manchester Township
Manchester, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Township, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manchester Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Township as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,



Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

TOWNSHIP OF MANCHESTER

275 SOUTH MACOMB STREET
Post Office Box 668
MANCHESTER, MICHIGAN 48158
PHONE: 734-428-7090
e-mail: <http://twp-manchester.org>

Management's Discussion and Analysis

As management of Manchester Township, we offer readers of Manchester Township's financial statements this narrative overview and analysis of the financial activities of Manchester Township for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of Manchester Township exceeded its liabilities at the close of the most recent fiscal year by \$1,812,558 (*net assets*).
- The Township's General Fund ended the year with fund balance of \$742,388.
- Revenues for governmental funds exceeded expenditures by \$205,747.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Manchester Township's basic financial statements. Manchester Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Manchester Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Manchester Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Manchester Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year.

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township of Manchester include general government, public safety, public works, and community development, which includes planning and zoning. The government-wide financial statements can be found on pages 6-7 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Manchester Township, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of Manchester Township are divided into two categories: governmental and fiduciary.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Manchester Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road Improvements and Maintenance Fund, Fire Equipment Fund, and Fire Equipment Millage Fund, which are considered to be "Major" Funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the major funds (General, Road Improvement and Maintenance, Fire Equipment and Fire Equipment Millage funds) to demonstrate compliance with the annual appropriated budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Manchester Township's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-20.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Manchester Township, assets exceeded liabilities by \$1,812,558, at the close of the most recent fiscal year.

A portion of the Township of Manchester's net assets (25 percent) reflects its investment in capital assets (e.g., buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township of Manchester uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. An additional portion of the Township of Manchester's net assets (34 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$742,388) may be used to meet the government's ongoing obligations to citizens and creditors.

Township of Manchester's Net Assets		
	2008	2007
Current and other assets	\$1,366,057	\$1,160,310
Capital Assets	446,501	378,131
Total Assets	1,812,558	1,538,441
Liabilities	-	-
Net Assets:		
Invested in capital assets, net of related debt	446,501	378,131
Restricted	623,669	504,548
Unrestricted	742,388	655,762
Total Net Assets	\$1,812,558	\$1,538,441

The Township's net assets increased by \$274,117 during the current fiscal year. The increase in net assets is presented in the table below (a comparative table will be presented in subsequent years as the information becomes available):

	2008
Program Revenues:	
Charges for Services	\$ 77,893
Operating Grants & Contributions	150,985
Capital Grants & Contributions	131,756
General Revenues:	
Property Taxes	331,396
State Shared Revenues	132,785
Unrestricted Investment Earnings	20,223
Total Revenues	845,038
Program Expenses:	
General Government	239,453
Public Safety	252,233
Public Works	35,965
Community Development	43,270
Total Expenses	570,921
Change in Net Assets	\$ 274,117

Financial Analysis of the Government's Funds

As noted earlier, Manchester Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Manchester Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Manchester Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current year, total fund balance was \$742,388, all of which is unreserved. The Township's general fund increased by \$86,626. The increase was the result of recurring revenues exceeding operating expenditures; no significant capital expenditures were made in this fund.

The Road Improvements and Maintenance Fund had a total fund balance of \$355,867; the Township intends on using the surplus for larger future road improvements.

The Fire Equipment Fund had a total fund balance of \$105,833. This fund acquired significant federal and state grant funds in the current fiscal year, over \$130,000 to help purchase new fire equipment.

General Fund Budgetary Highlights

There were no differences between beginning and final budgets other than a few amendments during the year between activities or departments.

Capital Assets

The Township purchased \$139,794 of fire equipment in the current year, mostly through federal and state capital grants of approximately \$131,000.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget may mean further reductions in state shared revenues. State shared revenues are expected to be frozen in the 2008-2009 fiscal year. Manchester Township budgeted no increase in state shared revenue. Manchester Township's property tax revenue is budgeted to increase by 3.7% which is the taxable value increase adjusted for inflation. These factors were considered in preparing Manchester Township's budget for the 2008-2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Manchester Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Supervisor, Manchester Township.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF MANCHESTER
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,366,057
Capital Assets (Net of Accumulated Depreciation)	446,501
Total Assets	<u>1,812,558</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	446,501
Restricted for:	
Road Improvements	355,867
Fire Department	267,802
Unrestricted	742,388
Total Net Assets	<u>\$ 1,812,558</u>

TOWNSHIP OF MANCHESTER
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 239,453	\$ 77,340	\$ -	\$ -	\$ (162,113)
Public Safety	252,233	553	150,985	131,756	31,061
Public Works	35,965	-	-	-	(35,965)
Community Development	43,270	-	-	-	(43,270)
Total Governmental Activities	\$ 570,921	\$ 77,893	\$ 150,985	\$ 131,756	(210,287)

General Revenues:	
Property Taxes	331,396
State Shared Revenue	132,785
Unrestricted Investment Earnings	<u>20,223</u>
Total General Revenues	<u>484,404</u>
Change in Net Assets	274,117
Net Assets - Beginning	<u>1,538,441</u>
Net Assets - Ending	<u>\$ 1,812,558</u>

TOWNSHIP OF MANCHESTER
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Road Improvements And Maintenance Fund</u>	<u>Fire Equipment Fund</u>	<u>Fire Equipment Millage Fund</u>	<u>Other Governmental Fund Special Housing</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ <u>742,388</u>	\$ <u>355,867</u>	\$ <u>105,833</u>	\$ <u>137,767</u>	\$ <u>24,202</u>	\$ <u>1,366,057</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance:						
Reserved for:						
Road Improvements	-	355,867	-	-	-	355,867
Fire Equipment	-	-	105,833	137,767	-	243,600
Fire Building Improvements	-	-	-	-	24,202	24,202
Unreserved, reported in:						
General Fund	<u>742,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>742,388</u>
Total Fund Balance	<u>742,388</u>	<u>355,867</u>	<u>105,833</u>	<u>137,767</u>	<u>24,202</u>	<u>1,366,057</u>
Total Liabilities and Fund Balance	\$ <u>742,388</u>	\$ <u>355,867</u>	\$ <u>105,833</u>	\$ <u>137,767</u>	\$ <u>24,202</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

446,501

Net Assets of Governmental Activities:

\$ 1,812,558

TOWNSHIP OF MANCHESTER
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>Road Improvements And Maintenance Fund</u>	<u>Fire Equipment Fund</u>	<u>Fire Equipment Millage Fund</u>	<u>Other Governmental Fund Special Housing</u>	<u>Total Governmental Funds</u>
Revenues:						
Property Taxes	\$ 221,729	\$ 61,398	\$ -	\$ 48,269	\$ -	\$ 331,396
Administration Fee	63,108	-	-	-	-	63,108
Intergovernmental-Federal	-	-	127,806	-	-	127,806
Intergovernmental-State	132,785	-	3,150	-	-	135,935
Intergovernmental-County	636	-	-	-	-	636
Intergovernmental-Municipal/Fire	150,349	-	-	-	-	150,349
Licenses and Permits	3,425	-	-	-	-	3,425
Charges for Services	9,382	-	-	-	-	9,382
Interest	9,922	7,463	1,910	428	500	20,223
Other	1,425	-	1,353	-	-	2,778
Total Revenues	<u>592,761</u>	<u>68,861</u>	<u>134,219</u>	<u>48,697</u>	<u>500</u>	<u>845,038</u>
Expenditures:						
General Government	230,758	-	-	-	-	230,758
Public Safety	186,131	-	-	-	3,373	189,504
Public Works	5,481	30,484	-	-	-	35,965
Community Development	43,270	-	-	-	-	43,270
Capital Outlay	-	-	139,794	-	-	139,794
Total Expenditures	<u>465,640</u>	<u>30,484</u>	<u>139,794</u>	<u>-</u>	<u>3,373</u>	<u>639,291</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>127,121</u>	<u>38,377</u>	<u>(5,575)</u>	<u>48,697</u>	<u>(2,873)</u>	<u>205,747</u>
Other Financing Sources (Uses):						
Operating Transfers In	31,005	-	65,000	-	6,500	102,505
Operating Transfers Out	<u>(71,500)</u>	<u>-</u>	<u>-</u>	<u>(31,005)</u>	<u>-</u>	<u>(102,505)</u>
Total Other Financing Sources (Uses)	<u>(40,495)</u>	<u>-</u>	<u>65,000</u>	<u>(31,005)</u>	<u>6,500</u>	<u>-</u>
Net Change in Fund Balance	86,626	38,377	59,425	17,692	3,627	205,747
Fund Balance, July 1	<u>655,762</u>	<u>317,490</u>	<u>46,408</u>	<u>120,075</u>	<u>20,575</u>	<u>1,160,310</u>
Fund Balance, June 30	<u>\$ 742,388</u>	<u>\$ 355,867</u>	<u>\$ 105,833</u>	<u>\$ 137,767</u>	<u>\$ 24,202</u>	<u>\$ 1,366,057</u>

TOWNSHIP OF MANCHESTER
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	205,747
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

	Capital Outlay	139,794	
	Less: Depreciation	<u>(71,424)</u>	
			<u>68,370</u>

Change in net assets in governmental activities	\$	<u><u>274,117</u></u>
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TOWNSHIP OF MANCHESTER
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>21,878</u>
 <u>LIABILITIES</u>	
Due to Other	\$ <u>21,878</u>

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Manchester Township is an unincorporated local unit of government (general law township) governed by the elected Board of Trustees. The Township provides the following services provided by law: General Government, Public Safety (Fire Protection), and Planning and Zoning activities.

In accordance with the provisions of the Governmental Accounting Standards Board, the financial statements of Manchester Township contain all of the Township funds and authorities for which the Township is financially accountable and the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. Financial accountability exists if the Township appoints a voting majority of an organization's governing board, is either able to impose its will on another organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Township, or if an organization is fiscally dependant on the Township. Based on the foregoing criteria, no other organizations are included or excluded from the Township's Annual Report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The major individual governmental funds are reported as a separate column in the fund financial statements.

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities and the fiduciary fund are presented using the economic resources measurement focus of accounting and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Improvements and Maintenance Fund is a special revenue fund used to account for the repair, maintenance, and construction activities for roads located within the Township, financed by a voter approved tax levy.

The Fire Equipment and Fire Equipment Millage Funds are special revenue funds used to account for resources dedicated for the acquisition of fire suppression and prevention equipment.

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee Township or as an agent on behalf of others. Fiduciary funds include the following fund type:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Township are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Capital Assets

Capital assets, which include property, plant, equipment, and vehicles, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-40
Furnishings, Equipment, and Vehicles	5-10

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. The Township has no long-term debt as of June 30, 2008.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A public hearing and adoption of the budget is required prior to commencement of the fiscal year.
2. On or before June 30, the tax rate is set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
3. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on the cash receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The budget for the General Fund and the budgets for the Special Revenue Funds are adopted at the activity level.
4. Budget appropriations lapse at year end.
5. The Township Board may authorize supplemental appropriations (budget amendments) during the year. During fiscal year 2008, budget amendments were approved by the Board.

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Township has no funds with deficit balances.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Equipment Fund	\$36,000	\$139,794	\$103,794

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades. Deposits (cash and certificates of deposit) are carried at cost which approximates market value.

Custodial Credit Risk. In the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. As of June 30, 2008, the Township's book balance of its deposits was \$1,387,935. The bank balance was \$1,456,346 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 291,977
Uninsured and Uncollateralized	<u>1,164,369</u>
Total	<u>\$1,456,346</u>

A reconciliation of cash to the accompanying financial statements follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$1,366,057
Fiduciary Statement of Net Assets	<u>21,878</u>
Total	<u>\$1,387,935</u>

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Interest Rate Risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's deposits and investments consisted of the following:

Cash-Demand Deposit Accounts	\$ 811,461
Cash-Money Market Accounts (Share price=\$1)	\$ 485,902
Cash-Pooled Funds (Share price=\$1)	\$ 158,983

Concentration of Credit Risk. The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in any single issuer.

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, being depreciated:				
Building and Improvements	\$ 50,500	\$ -	\$ -	\$ 50,500
Office Furniture & Equipment	39,850	-	-	39,850
Election Equipment	23,000	-	-	23,000
Fire Equipment & Vehicles	510,980	139,794	-	650,774
	<u>624,330</u>	<u>139,794</u>	<u>-</u>	<u>764,124</u>
Less: Accumulated Depreciation:				
Building and Improvements	(50,500)	-	-	(50,500)
Office Furniture & Equipment	(13,670)	(5,410)	-	(19,080)
Election Equipment	(6,570)	(3,285)	-	(9,855)
Fire Equipment & Vehicles	(175,459)	(62,729)	-	(238,188)
	<u>(246,199)</u>	<u>(71,424)</u>	<u>-</u>	<u>(317,623)</u>
Governmental Activities				
Capital Assets, net	\$ <u>378,131</u>	\$ <u>68,370</u>	\$ <u>-</u>	\$ <u>446,501</u>

Depreciation expense was charged on the Statement of Activities as follows:

General Government	\$ 8,695
Public Safety	<u>62,729</u>
	<u>\$ 71,424</u>

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	Fire Equipment	\$ 65,000
General Fund	Special Housing	6,500
Fire Equip. Millage Fund	General Fund	31,005
		<u>\$102,505</u>

Transfers represent the Township's contributions to the fire department, and the related special revenue funds.

D. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2008, is presented below:

	<u>General Operating</u>	<u>Special Revenue</u>	<u>Totals</u>
Reserved for:			
Fire Equipment	\$ -	\$ 243,600	\$ 243,600
Fire Building Improvements	-	24,202	24,202
Road Improvements and Maintenance	-	355,867	355,867
Total Reserved	-	623,669	623,669
Unreserved:			
Designated for:			
Subsequent Year's Expenditures	181,767	-	181,767
Undesignated	560,621	-	560,621
Total Unreserved	742,388	-	742,388
Total Fund Equity	<u>\$ 742,388</u>	<u>\$ 623,669</u>	<u>\$1,366,057</u>

TOWNSHIP OF MANCHESTER
Notes to Financial Statements
June 30, 2008

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on December 1 of the following year. The Township bills and collects its own property taxes and also taxes for the County and various school districts which are accounted for in the Tax Collection Agency Fund. The Township is permitted by State law to levy taxes up to \$1.16 per \$1,000 of equalized valuation for general government services. The following is a summary of the tax rates levied on the 2007 tax roll and the source of authorization:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate (Pre Rollback)*</u>	<u>Authorized Rate (Post Rollback)*</u>	<u>Rate Levied</u>
Operating	Charter	1.1600	0.8996	0.8996
Operating	Voted	0.2500	0.2474	0.2474
Road	Voted	0.3500	0.3464	0.3464
Fire Equipment	Voted	0.2500	0.2474	0.2474

*Rollback refers to required reduction in millage rates to comply with provisions of state law (211.34d).

IV. OTHER INFORMATION

A. Risk Management

Manchester Township is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Township believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

B. Restatement

The prior year's audited financial statements for the Township of Manchester, were prepared on the cash receipts and disbursements basis of accounting, which differs from accounting principles generally acceptable in the United States of America (GAAP). Therefore, the beginning net assets at July 1, 2007 have been restated to reflect the full accrual method of accounting as follows:

Total Net Assets at July 1, 2007, Cash Basis	\$1,160,310
Conversion to Full Accrual (Capital Assets, net)	<u>378,131</u>
Total Net Assets at July 1, 2007 Restated	<u>\$1,538,441</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF MANCHESTER
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property Taxes	\$ 216,985	\$ 216,985	\$ 221,729	\$ 4,744
Administration Fee	57,000	57,000	63,108	6,108
Intergovernmental-State	130,000	130,000	132,785	2,785
Intergovernmental-County	900	900	636	(264)
Intergovernmental-Municipal/Fire	123,000	123,000	150,349	27,349
Licenses and Permits	3,000	3,000	3,425	425
Charges for Services	3,000	3,000	9,382	6,382
Interest	1,400	1,400	9,922	8,522
Other	1,826	1,826	1,425	(401)
Total Revenues	<u>537,111</u>	<u>537,111</u>	<u>592,761</u>	<u>55,650</u>
Expenditures:				
General Government:				
Trustees	11,520	11,520	11,397	123
Supervisor	22,500	22,500	22,500	-
Assessing	49,000	49,108	48,467	641
Board of Review	1,700	1,700	1,503	197
Clerk	34,000	34,000	34,000	-
Elections	9,000	9,000	4,418	4,582
Treasurer	32,000	32,000	32,000	-
Cemetery	4,750	4,750	3,139	1,611
Professional Fees	20,000	20,000	8,945	11,055
Other	115,731	115,623	64,389	51,234
	<u>300,201</u>	<u>300,201</u>	<u>230,758</u>	<u>69,443</u>
Public Safety:				
Fire Department	223,250	223,250	177,811	45,439
Stand-by Fire	11,000	11,000	8,320	2,680
	<u>234,250</u>	<u>234,250</u>	<u>186,131</u>	<u>48,119</u>
Public Works:				
Road Maintenance	18,000	18,000	5,481	12,519
Community Development:				
Planning Commission	30,000	30,000	25,637	4,363
Zoning	19,000	19,000	17,200	1,800
Board of Appeals	500	500	433	67
	<u>49,500</u>	<u>49,500</u>	<u>43,270</u>	<u>6,230</u>
Total Expenditures	<u>601,951</u>	<u>601,951</u>	<u>465,640</u>	<u>136,311</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(64,840)</u>	<u>(64,840)</u>	<u>127,121</u>	<u>191,961</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	31,005	31,005
Operating Transfers Out	(82,500)	(71,500)	(71,500)	-
Total Other Financing Sources (Uses)	<u>(82,500)</u>	<u>(71,500)</u>	<u>(40,495)</u>	<u>31,005</u>
Net Change in Fund Balance	(147,340)	(136,340)	86,626	222,966
Fund Balance, July 1	<u>655,762</u>	<u>655,762</u>	<u>655,762</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 508,422</u>	<u>\$ 519,422</u>	<u>\$ 742,388</u>	<u>\$ 222,966</u>

TOWNSHIP OF MANCHESTER
Road Improvements and Maintenance Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 67,206	\$ 67,206	\$ 61,398	\$ (5,808)
Interest	200	200	7,463	7,263
Total Revenues	67,406	67,406	68,861	1,455
Expenditures:				
Road Maintenance	86,000	86,000	30,484	55,516
Net Change in Fund Balance	(18,594)	(18,594)	38,377	56,971
Fund Balance, July 1	317,490	317,490	317,490	-
Fund Balance, June 30	<u>\$ 298,896</u>	<u>\$ 298,896</u>	<u>\$ 355,867</u>	<u>\$ 56,971</u>

TOWNSHIP OF MANCHESTER
Fire Equipment Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal Grant	\$ -	\$ -	\$ 127,806	\$ 127,806
State Grant	-	-	3,150	3,150
Interest	1,000	1,000	1,910	910
Donations	-	-	800	800
Other	-	-	553	553
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>134,219</u>	<u>133,219</u>
Expenditures:				
Public Safety:				
Equipment	<u>36,000</u>	<u>36,000</u>	<u>139,794</u>	<u>103,794</u>
Total Expenditures	<u>36,000</u>	<u>36,000</u>	<u>139,794</u>	<u>103,794</u>
Excess (Deficiency) of Revenues Over Expenditures	(35,000)	(35,000)	(5,575)	29,425
Other Financing Sources:				
Operating Transfers In	<u>75,000</u>	<u>75,000</u>	<u>65,000</u>	<u>(10,000)</u>
Net Change in Fund Balance	40,000	40,000	59,425	19,425
Fund Balance, July 1	<u>46,408</u>	<u>46,408</u>	<u>46,408</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 86,408</u>	<u>\$ 86,408</u>	<u>\$ 105,833</u>	<u>\$ 19,425</u>

TOWNSHIP OF MANCHESTER
Fire Equipment Millage Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property Taxes	\$ 48,399	\$ 48,399	\$ 48,269	\$ (130)
Interest	200	200	428	228
Total Revenues	48,599	48,599	48,697	98
Expenditures:				
Public Safety	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	48,599	48,599	48,697	98
Other Financing Uses:				
Operating Transfers Out	(37,000)	(37,000)	(31,005)	5,995
Net Change in Fund Balance	11,599	11,599	17,692	6,093
Fund Balance, July 1	120,075	120,075	120,075	-
Fund Balance, June 30	<u>\$ 131,674</u>	<u>\$ 131,674</u>	<u>\$ 137,767</u>	<u>\$ 6,093</u>

POST, SMYTHE, LUTZ and ZIEL

of Plymouth LLP
Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502

TELEPHONE (734) 453-8770
FAX (734) 453-0312

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.

Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212

TELEPHONE (248) 644-9125
FAX (248) 593-1986

September 26, 2008

Board of Trustees
Manchester Township
Washtenaw County, Michigan

In planning and performing our audit of the financial statements of the Manchester Township as of and for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A new auditing standard, SAS No. 112 "Communicating Internal Control Matters Identified in an Audit" is effective for audits after December 15, 2006. Auditors are now required to inform clients in writing about significant deficiencies and material weaknesses that come to our attention.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The Township has relied on its auditors to assist in the preparation of the government-wide financial statements and footnotes. The Township has decided it is more cost effective to outsource the preparation of its financial statements to the auditors. The result is that the Township does not have controls in place to prepare the government-wide financial statements and footnotes in accordance with generally accepted accounting principles. The Township does accept responsibility for their content and presentation.

This communication is intended solely for the information and use of management and the Board of Trustees of Manchester Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants